

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02
OMB-01 DOE-15 OPIC-06 JUSE-00 DOEE-00 /140 W
-----037972 240806Z /17

P 211320Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7311
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: CURRENT ACCOUNT SURPLUS REDUCTION PROGRAM

1. SUMMARY: THREE-POINT PROGRAM TO REDUCE JAPAN'S CURRENT ACCOUNT SURPLUS ANNOUNCED APRIL 21 BY GOJ PROVIDES FOR LIBERALIZATION AND EXPANSION OF FOREIGN EXCHANGE IMPORT FINANCING SCHEMES, IMPROVED INTERNATIONAL ECONOMIC COOPERATION MEASURES, AND GOVT EFFORTS TO ENSURE THE BENEFITS OF THE HIGH YEN ARE PASSED ALONG TO CONSUMERS.
END SUMMARY.

2. THE PACKAGE APPROVED BY THE JAPANESE CABINET APRIL 21 CALLS FOR LIBERALIZING AND EXPANDING ON EXISTING PROGRAMS FOR FINANCING IMPORTS BY:
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(A) EXTENDING THE APPLICATION PERIOD FOR LOANS FROM JAPAN EXIMBANK UNDER THE EXISTING FOREIGN CURRENCY FACILITY FROM MID-JUNE 1978 TO DEC 31, 1978.

(B) CUTTING THE INTEREST RATE ON SUCH LOANS FROM 4 PCT TO 3.75 PCT. (LOANS EXTENDED TO DATE UNDER THE PROGRAM HAVE

BEEN FLOATING RATE LOANS WITH THE RATE TIED TO THE DISCOUNT RATE AND FOR A MATURITY OF NOT MORE THAN THREE YEARS.) RESTRICTIONS ON TYPES OF IMPORTS ELIGIBLE FOR FINANCING WILL ALSO BE EASED.

(C) INTRODUCING A NEW FOREIGN CURRENCY IMPORT FINANCING FACILITY THROUGH THE EXIMBANK PROVIDING THREE YEAR FIXED INTEREST RATE LOANS AT A RATE OF 4.75 PCT.

(D) INTRODUCING A NEW LONG-TERM FOREIGN CURRENCY LENDING FACILITY (3-10 YEAR) WITH A FIXED RATE, IN PRINCIPLE, SET AT 6 PCT, BUT WITH THE OPTION THAT 5 PCT LOANS COULD BE MADE FOR IMPORTS THE GOVT CONSIDERS ESSENTIAL.

THE GOVT WILL ALSO CONSIDER EARLY PURCHASE OF LAND AND BUILDINGS FOR JAPANESE EMBASSIES AND CONSULATES ABROAD AND PROPOSALS TO FINANCE PURCHASE OF OBSOLETE FOREIGN-OWNED SHIPS TO CONVERT INTO SCRAP STEEL.

3. IN THE ECONOMIC COOPERATION AREA, THE PROGRAM CALLED FOR EXPANDED OFFICIAL DEVELOPMENT AID AND EASED TERMS. A TARGET OF 86 PCT GRANT ELEMENT WAS SET, ALSO, THE PACKAGE CALLED FOR AID TO BE UNITED IN PRINCIPLE; PROJECT ASSISTANCE AND COMMODITY AID WOULD BE PROVIDED IN RESPONSE TO REQUEST FROM ASSISTED COUNTRIES. UNITED COMMODITY AID AND EASIER TERM LOANS WOULD BE PROVIDED TO UNCLASSIFIED

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ASSIST POORER COUNTRIES WITH DEBT PROBLEMS. VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL DEVELOPMENT FINANCE INSTITUTIONS AND TO AGENCIES RELATED TO THE UN AND INTERNATIONAL RESEARCH PROJECTS WILL BE EXPANDED. FURTHER, THE GOJ WILL COOPERATE POSITIVELY IN ESTABLISHING A NEW INTERNATIONAL WHEAT AGREEMENT AND A NATURE RUBBER AGREEMENT AS WELL AS COOPERATING WITH ADVANCED COUNTRIES ON THE SUBJECT OF ESTABLISHMENT OF COMMON FUND. VOLUNTARY CONTRIBUTION TO THE INTERNATIONAL TIN AGREEMENT IS TO BE CONSIDERED.

4. IN REGARD TO PRICES, THE ANNOUNCEMENT SAID THE GOVT WILL PROMOTE POSITIVELY MEASURES TO SEE THAT THE EFFECTS OF YEN APPRECIATION ARE FULLY REFLECTED IN CONSUMER PRICES; IN PARTICULAR INDUSTRY COOPERATION WILL BE REQUESTED. SPECIFICALLY CITED WERE ELECTRICITY, GAS, TOBACCO, INTERNATIONAL AIR FARES, BEEF, PETROLEUM PRODUCTS, ANIMAL FEED, INTERNATIONAL TELEPHONE AND TELEGRAM RATES, AND IMPORTED CONSUMER GOODS. THE ANNOUNCEMENT ALSO SAID THE GOVT WOULD MONITOR EVENTS TO SEE THAT ATTEMPTS BY INDIVIDUALS OR COMPANIES TO IMPORT OUTSIDE "THE USUAL IMPORT AGENCIES" ARE NOT DISCOURAGED.

5. ACCORDING TO PRESS REPORTS, EPA DIRECTOR GENERAL MIYAZAWA SAID WHEN ANNOUNCING THE PACKAGE THAT THE CURRENT ACCOUNT SURPLUS WOULD BE REDUCED BY MORE THAN \$4 BIL IN FY 78 UNDER THE PROGRAM ANNOUNCED TODAY. MIYAZAWA IS ALSO REPORTED TO HAVE SAID THAT FINANCE MINISTER MURAYAMA HAD AGREED TO CONSIDER A SUPPLEMENTAL BUDGET IF NEEDED TO FINANCE THE PACKAGE. IN A RELATED DEVELOPMENT, MURAYAMA REPORTEDLY TOLD THE HOUSE OF COUNCILLORS (WHEN IS NOT CLEAR BUT APPARENTLY YESTERDAY OR TODAY) THAT HE BELIEVED THE 7 PCT GROWTH TARGET COULD BE ACHIEVED WITHOUT A

NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.
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OMB-01 DOE-15 OPIC-06 JUSE-00 DOEE-00 /140 W
-----001256 240806Z /17

P 211320Z APR 78
FM AMEMBASSY TOKYO
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INFO AMEMBASSY BONN
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SUPPLEMENTAL. COMMENT: RELATIONSHIPS BETWEEN THESE TWO STATEMENTS IS NOT CLEAR, BUT PRESUMABLY A CONSIDERABLE VOLUME OF ADDITIONAL FUNDS COULD BE MADE AVAILABLE FOR THE IMPORT PROGRAM THROUGH UTILIZATION OF EXISTING

AUTHORITY TO EXPAND FISCAL LOAN AND INVESTMENT PROGRAMS.
END COMMENT.

6. ADDITIONAL DETAIL CONCERNING THE PROGRAM, AND
COMMENT, WILL FOLLOW. MANSFIELD

NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

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